

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 TRSE-00 AGRE-00 EB-07 SP-02 L-03  
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TO SECSTATE WASHDC PRIORITY 9581  
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DEPT PASS AGRICULTURE ELECT.

E.O. 11652: NA  
TAGS: EAGR ETRD EEC  
SUBJECT: VEGETABLE FATS AND OILS TAX

REF: (A) STATE 170962, (B) EC BRUSSELS 11860, (C) STATE 300350

1. DRAWING ON POINTS NOTED REF A AND B INSTRUCTIONS  
REF C AGATT AND ASST AGATT MET DECEMBER 14 WITH BERGMAN  
AND GROENEVELD, DIRECTOR AND DYDIRECTOR INTERNATIONAL  
ECONOMIC AFFAIRS MIN AGRICULTURE. AT VERY OUTSET BERGMAN  
REAFFIRMED GON CONTINUING STRONG OPPOSITION TO EC COMMISSION  
PROPOSED VEGETABLE FATS AND OILS TAX. AS THINGS STAND NOW,  
FOUR MEMBER STATES (GERMANY, UK, DENMARK AND THE NETHERLANDS)  
ARE AGAINST THE TAX AND ITS INCLUSION IN THE SO-CALLED EC  
DAIRY PACKAGE. IF ISSUE IS FORCED TO VOTE THE NEGATIVE  
VOTES OF THESE FOUR MEMBER STATES WOULD PREVENT OTHER FIVE  
TO GAIN EVEN QUALIFIED MAJORITY OF VOTES (41) NECESSARY TO  
PASS THE EXISTING PROPOSAL.

2. ACCORDING TO BERGMAN, THE FRENCH WHO HAD REFRAINED  
FROM TAKING POSITION HAVE NOW DECIDED TO FAVOR ADOPTION  
OF TOTAL EC COMMISSION DAIRY PACKAGE. BELGIUM ON THE  
OTHER HAND WOULD VOTE FOR PACKAGE ONLY IF THE PROPOSED  
VEG FATS AND OILS TAX IS RETINED IN THE PACKAGE. WITH-  
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OUT IT THEY WOULD VOTE AGAINST CORESPONSIBILITY AND OTHER

REMAINING PARTS OF PACKAGE.

3. POSSIBLE SCENARIO, AS SEEN FROM DUTCH VANTAGE POINT, CALLS FOR COMMISSION (LARDINOIS) TO PRESS FOR WHOLE PACKAGE DURING INITIAL STAGE OF MINISTERIAL DISCUSSIONS WITHOUT THE ACTUAL LAYING OF THE PACKAGE FORMALLY ON THE TABLE. IF FOR SOME REASON THE PACKAGE, AS PROPOSED BY THE COMMISSION, IS FORCED TO A VOTE, THE MEASURE, AS INDICATED PARA ABOVE WOULD BE DEFEATED. MORE LIKELY PROSPECTS ARE THAT AFTER THE INITIAL DISCUSSIONS THE CHAIRMAN (DUTCH MINAG VANDERSTEE) WILL TABLE A COMPROMISE DAIRY PACKAGE (SANS VEGETABLE FATS AND OILS TAX). IF DECISION ON VANDERSTEE PACKAGE IS NOT REACHED DURING REMAINING AVAILABLE TIME OF THIS MINISTERIAL SESSION, VANDERSTEE WOULD BE WILLING TO CALL SPECIAL ONE DAY SESSION ON DEC 27/28 OR 29.

4. IN ITEM BY ITEM ASSESSMENT OF THE OTHER SIX PARTS OF EC COMMISSION'S DAIRY PACKAGE, BERGMAN INDICATED THAT MINISTERS SHOULD NOT REPEAT NOT HAVE MUCH DIFFICULTY IN AGREEING TO STATUS QUO ON THE SO-CALLED EXCLUSIVE USE ISSUE AND TO WORK OUT NECESSARY COMPROMISES ON REMAINING FIVE PARTS OF COMMISSION'S ORIGINAL PACKAGE (I.E. CORESPONSIBILITY TAX, SUBSIDY ON MILK SALES FOR SCHOOL CHILDREN, OVERSEAS FOOD AID, SUBSIDY MEASURES DESIGNED TO ERADICATE CATTLE AFFLICTED BY CERTAIN DISEASES AND THE SUSPENSION OF COMMUNITY AID FOR INVESTMENTS FOR PRODUCTION, PROCESSING OR COMMERCIALIZATION OF MILK AND OTHER SPECIAL REGIONAL AIDS.

5. THE ITALIAN OBJECTIONS TO EC COMMISSION TOTAL PACKAGE WILL BE OVERCOME BY WAIVING APPLICATION OF APPLICABLE TAXES/LEVIES ETC. WHICH WOULD HAVE INHIBITED ITALIAN (DOMESTIC) MILK PRODUCTION.

6. THE OUTCOME OF EC PARLIAMENT MEETING ON DEC 13 IN LUXEMBOURG WAS NOT KNOWN TO BERGMAN AT TIME OF MEETING WITH EMBASSY OFFICIALS. SINCE THEN, HOWEVER, OUR SOURCE HAS REPORTED THAT EC PARLIAMENT HAS ONCE AGAIN EXPRESSED OPPOSITION TO INCLUSION OF TAX ON VEGETABLE FATS AND OILS IN DAIRY PACKAGE. WHEREAS EC PARLIAMENT'S DECISIONS MAY LIMITED OFFICIAL USE

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NOT BE BINDING, BERGMAN BELIEVES ITS VOICE CARRIES SOME WEIGHT.

7. SPEAKING ON THE EC DAIRY PROBLEM MINAG VANDERSTEE IN A SPEECH TO THE AGRICULTURAL ASSOCIATION IN DRENTE PROVINCE ON DEC 8 STATED THAT THE PROPOSAL TO TAX VEGETABLE FATS AND OILS WAS IN A TECHNICAL SENSE HARDLY DISCUSSED SINCE IT MEETS WITH SUCH LARGE POLITICAL OBJECTIONS FROM THE

NORTHERN STATES IN THE COMMUNITY THAT DECISIONS (ON  
THE DAIRY REGULATIONS) WILL APPEAR IMPOSSIBLE SHOULD THIS  
PROPOSAL REMAIN PART OF THE WHOLE PACKAGE.  
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## Message Attributes

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